

*Legislation designed to protect families from unscrupulous lending practices by mortgage brokers and to better regulate high-risk loans across the country*

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**CHICAGO** -- U.S. Representative Luis V. Gutierrez (D-Ill.), a senior member of the House Financial Services Committee, joined local elected officials, community leaders and families who have been victimized by unscrupulous mortgage brokers Sunday to unveil new legislation designed to prohibit predatory lending practices and to better protect individuals from high-risk loans, hidden fees and punitive penalties.

"Too many hardworking families are having the American Dream of homeownership turned into a dark nightmare because of deceptive and misleading mortgage brokers," Rep. Gutierrez said. "People are losing their homes, their savings and their livelihood because they are being misled into purchasing or refinancing loans at rates far beyond their financial means."

These sentiments were recently backed up by Federal Reserve Chairman Ben Bernanke.

"Several credible reports say that we are facing a tidal wave of defaults and foreclosures, which could strip these families of their major, if not their only, source of wealth and long-term economic security," Bernanke stated in testimony before Congress.

In 2006, the number of reported foreclosures soared 42 percent to nearly 1.2 million, according to the Wall Street Journal. That is a rate of one in every 92 U.S. households. In addition, foreclosure rates on subprime loans more than doubled last year, according to a UBS report.

"The legislation we are introducing this week will bring accountability, transparency and stricter standards to this loosely regulated industry," Gutierrez said. "It will ensure that people understand the hazards of high-risk loans and the subprime market, and it will ensure that mortgage brokers are appropriately licensed and are operating in good faith."

Gutierrez' bill, known as the Mortgage Broker Licensing and Predatory Loan Disclosure Act of 2007, would hold mortgage brokers liable for actual damages suffered by borrowers, impose strict financial penalties for those who willfully violate the law, require mortgage brokers to pay costs and legal fees of victims and it affords state attorneys general the option to bring actions on behalf of borrowers.

It also would require brokers to disclose, in writing, all fees, penalties, financial arrangements and premiums associated with a loan.

"In many cases, individuals are not explained thoroughly enough the fine print of adjustable rate loans," Gutierrez said. "This is often the case for seniors, who are living on an extremely fixed income. When their interest rates climb, often doubling their monthly payments, they are simply unable to cover the cost of their mortgages."

The legislation also would require all mortgage brokers to be bonded and would call for the Department of Housing and Urban Development to establish minimum licensing requirements for all mortgage brokers nationwide. Gutierrez' legislation also would ban the "flipping" of loans if it has no tangible benefit to the consumer and would regulate the fee structures and penalties often hidden in high-risk loans.

In addition, the Mortgage Broker Licensing and Predatory Loan Disclosure Act of 2007 would create a federal framework for educating, counseling and assisting consumers to make smart and sound financial housing decisions. It would ensure that some of the challenges that arose from the Illinois law, House Bill 4050, do not occur because the bill would create national standards and ensure that particular neighborhoods, or zip codes, are not held to different criteria.

"This legislation will provide families the tools and resources they need to make smart financial decisions," Gutierrez added. "It also will put bad actors out of business, create national standards, and ensure that the mortgage broker business is properly regulated and that it operates aboveboard. This bill would be an important victory for upstanding mortgage brokers across the country, as well as for those who rely on the services they provide."

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